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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

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State Department review completed

9 December 1969

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Approved For Release 2004/03/17 : CIA-RDP79T00975A015100080001-5

Approved For Release 2004/03/17 : CIA-RDP79T00975A015100080001-5

No. 0294/69
9 December 1969

Central Intelligence Bulletin

CONTENTS

South Vietnam: Many army officers are cautiously optimistic about "Vietnamizing" the war. (Page 1)

[Redacted]

25X1

Dominican Republic: Uncertainty about the presidential election is leading to pessimism. (Page 4)

Central America: The foreign ministers have reaffirmed their commitment to regional integration. (Page 5)

25X1

UN - Arms Control: General Assembly consideration of CBW has been narrowed to two draft resolutions. (Page 6)

Communist China - Australia: Wheat purchase (Page 7)

[Redacted]

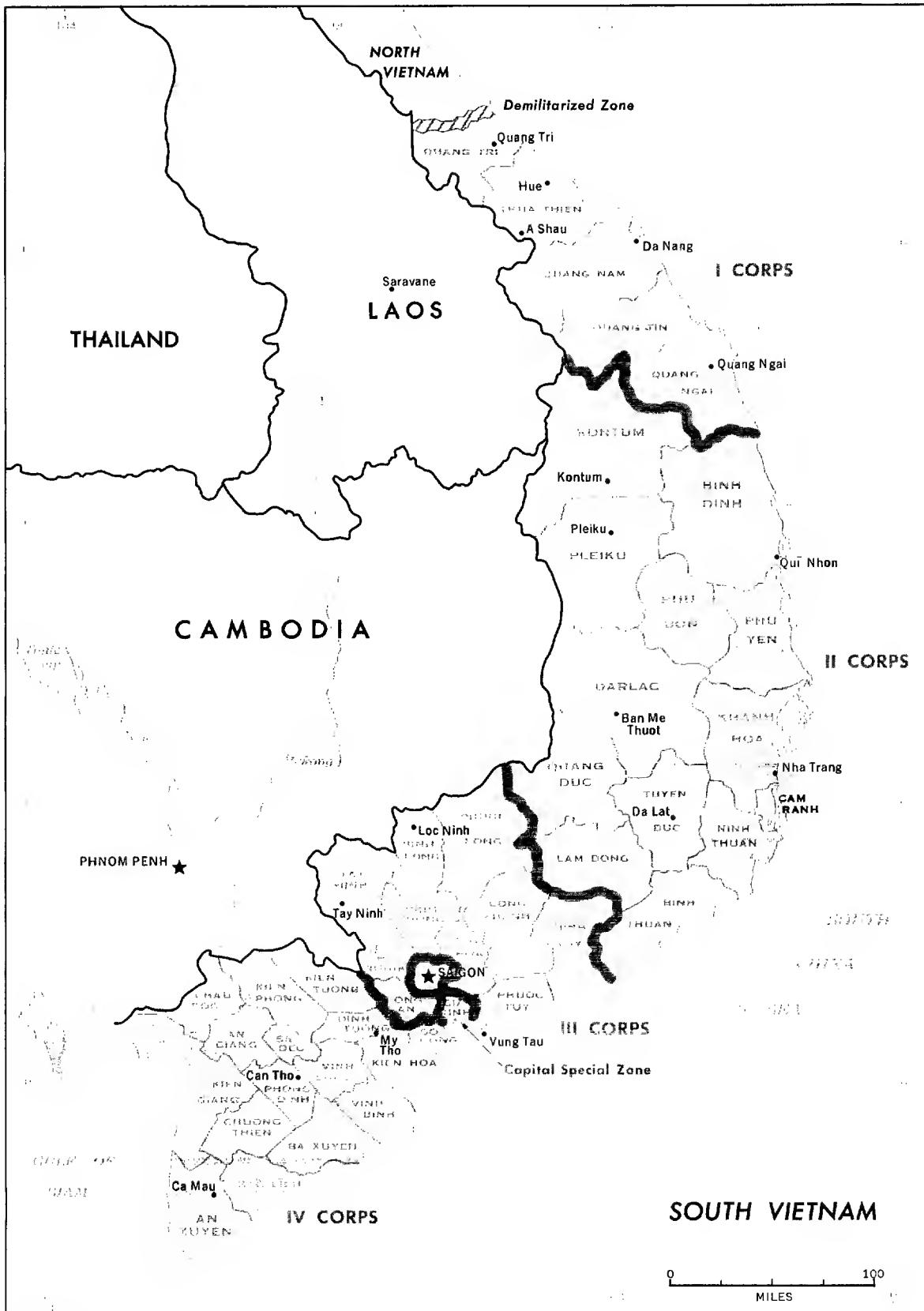
Ethiopia: Hydroelectric project (Page 8)

Kenya: Parliamentary turnover (Page 8)

British Honduras: General election (Page 9)

UN: Seabeds resolution (Page 9)

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South Vietnam: Many South Vietnamese Army officers are cautiously optimistic about prospects for successfully "Vietnamizing" the war, but major tests of the program still lie ahead.

Recent surveys of military opinion by the US mission in Saigon produced wide-ranging views about the Vietnamization program. The most optimistic South Vietnamese Army commanders were found in areas such as northern I Corps and the Mekong Delta where the US military presence already has been reduced. Some officers assert that their troops will be able to conduct such operations as sweeps through populated areas more efficiently than US forces.

Other South Vietnamese officers anticipate that the army may be in for trouble when the Communists try to intensify the action again. These men contend that the optimism results more from the low level of enemy activity in recent months than from improvements in South Vietnamese performance.

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South Vietnamese confidence in Vietnamization in coming months probably will depend largely on the outcome of engagements with Communist forces. So far, the combat experiences of South Vietnamese units under conditions of reduced US participation have not instilled a sense of real *esprit de corps* or improved morale throughout the army.

(Map)

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Dominican Republic: Continued uncertainty about the presidential election is leading to increased pessimism over the future of the Balaguer government.

President Balaguer's steadfast refusal to announce whether he will seek re-election next May, continued political violence, and recent rumors of coup plotting are giving rise to gloomy predictions from representative sectors of Dominican society, according to the latest US Embassy assessment. Many persons expect violence to increase as campaigning continues.

Balaguer will find it difficult to maintain political calm regardless of his decision on re-election. If he decides not to run, the backbiting nature of Dominican politics will rob him of supporters before his term ends. Many military leaders now committed to Balaguer's re-election would be more inclined to plot a pre-emptive move against the government in order to ensure their own positions.

If the President runs, his announcement could spark a campaign of violence from some factions on the left. A significant portion of the major opposition party has called for violent revolution if Balaguer opts for a second term. The armed forces are already restive because of the Communists' systematic campaign of robberies and military assassinations, and more violence could prompt increased dissatisfaction with Balaguer's leadership.

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Central America: The foreign ministers of the five Central American Common Market countries last week reaffirmed their commitment to regional integration and took some preliminary actions to overcome the strains engendered by last summer's El Salvador - Honduras conflict.

The ministers agreed to establish a commission to draw up plans to restructure the Market in order to increase its effectiveness. They also recommended that the five economics ministers hold a more detailed meeting as soon as possible to resolve pending Market problems and establish an operating procedure for the present. A major problem is the Honduran blockade of Salvadoran trade and the Salvadoran hope of establishing an air or sea ferry to circumvent this blockade. Although the task of restoring the organization to even its former effectiveness cannot be accomplished quickly, the foreign ministers have decided to meet again within four months to review the situation.

Agreement was also reached on establishing a Honduras - El Salvador bilateral working group which would try to resolve the differences between the two countries. Both parties will select a moderator in consultation with the OAS secretary general, and the group will meet in Costa Rica in late January. Although the agenda was left vague, Honduras will probably seek settlement of the border dispute while El Salvador will be concerned with the restoration of trade relations and unimpeded migration.

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UN - Arms Control: General Assembly consideration of chemical and biological warfare (CBW) has been narrowed to two draft resolutions.

The Swedish draft that would have the Assembly interpret the Geneva Protocol of 1925 in such a way as to include the use of tear gas and herbicides in its prohibitions will come to a vote today. Despite strong US objections, it appears likely to carry without difficulty. A significant number of nations, however, especially from Western Europe, will probably abstain.

The other resolution, which also appears sure to pass, is a compromise text based on a Canadian proposal. The new text was worked out last Friday by representatives of the US, UK, Canada, the USSR, and three Soviet allies. It would refer all CBW proposals to the Geneva disarmament talks, with specific and equal citation of the Soviet draft CBW convention and the British draft BW convention. The compromise was made possible when Soviet disarmament expert Roschin agreed to withdraw two draft resolutions, one of which commended the USSR's proposed convention.

In another arms control development at the UN, the Dutch yesterday presented to the General Assembly a draft resolution aimed at countering the Mexican proposal. The latter would have the Helsinki negotiators agree to a moratorium on further testing and deployment of offensive and defensive strategic weapon systems not presently operational. After the Mexicans had rebuffed all attempts to reach a compromise text, the Dutch secured additional co-sponsors--both Eastern and Western--before formally presenting their proposal. The outcome cannot yet be predicted. The Mexicans, however, may not have the full support of their co-sponsors for the language of their proposal.

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Communist China - Australia: Peking has purchased 2.2 million tons of Australian wheat, worth about \$112 million, for delivery through September 1970. This agreement, together with an earlier pact with Canada--Peking's other major grain supplier--brings total Chinese wheat purchases for delivery in 1970 to about 4.2 million tons. Peking probably will conclude additional contracts which could boost 1970 purchases to the 1969 level of 5 million tons. China's annual wheat imports represent only about two and one-half percent of the grain produced domestically.

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Ethiopia: After a year's delay in the initiation of the \$33.8-million Finchaa hydroelectric project because of financing difficulties, the principal construction contract now has been awarded to an Italian firm. Other support contracts have gone to Yugoslav, Norwegian, and Swiss firms. The financing of this important power project was switched from a loan from the Agency for International Development to one from the International Bank for Reconstruction and Development after it appeared the cost would be substantially higher because of the lack of international bidding. The 100,000-kilowatt facility, which will double Ethiopia's electric power capacity upon completion, should be ready for operation in March 1972.

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Kenya: Unofficial results from 155 of 158 constituencies show that only 65 incumbents retained their seats in elections to select the Kenya Africa National Union (KANU) candidates for parliament. Because Kenya is a one-party state, all KANU candidates will automatically win in the general "elections" on 20 December. The primaries appear to have been conducted honestly. The reasons for the large turnover are unclear, but results from the predominantly Luo tribal areas probably reflect that tribe's dissatisfaction with the Kikuyu-dominated government. There is unlikely to be any basic change in government policies, however, because the dominant clique from the Kikuyu tribe retained its seats.

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British Honduras: The governing People's United Party won 17 of 18 legislative seats in last Friday's general elections. Premier Price's decision to call elections three months earlier than expected caught the opposition National Independence Party off balance. His promise not to lead the colony to independence without a firm security guarantee removed the opposition's only significant issue. Price may now feel under less pressure to seek independence before the Guatemalan presidential election next March, and more time may be available for negotiations over Guatemala's claim to the colony.

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UN: The General Assembly today votes on four draft resolutions concerning peaceful uses of the seabeds. All the drafts have been approved by the political and security committee. The most controversial calls for a freeze on exploitation of deep sea resources and on claims to seabeds in areas beyond national jurisdiction. The extent of such areas is not specified in the resolution, and its effect could be to encourage states to make expansive claims to legitimize present and future exploitation efforts. The US will press to have this proposal declared an important question--requiring a two-thirds majority vote for Assembly passage--and the voting in such a case would be very close.

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